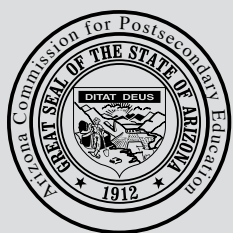


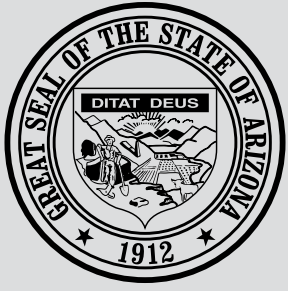


envisioning your child's college goal



College Savings Planner For parents and grandparents

Presented by the Arizona Commission for Postsecondary Education



College Savings Proclamation

WHEREAS, Arizona competes in the global economy of the twenty-first century, our citizens recognize the challenges ahead and accept the responsibility of providing their children with the education and skills that will enable them to compete successfully as individuals and as a state; and

WHEREAS, since 1980, the constantly rising costs of higher education have out-paced inflation, the rate of increase in public assistance to students and the growth in family income, posing a serious threat to the ability of our citizens to ensure their children's access to postsecondary education; and

WHEREAS, since 1992, the annual amount of student loan debt has risen from \$15 billion to \$35 billion, leaving college graduates with the ever-increasing burden of paying for their college education long after they have completed their education; and

WHEREAS, it is in the state's interest that access to postsecondary education for our children be maintained and that encouraging parents to save for their children's education promotes that public purpose; and

WHEREAS, in accordance with state and federal law, the State of Arizona operates the Arizona Family College Savings Program, a Section 529 college savings plan that offers both state and federal tax advantages to encourage saving for the expense of higher education and to promote educational opportunity for all Arizonans;

NOW, THEREFORE, I, Janet Napolitano, Governor of the State of Arizona, do hereby proclaim January 2007, as COLLEGE SAVINGS MONTH in Arizona and call upon all Arizonans to join me in recognizing the value of Postsecondary education and to begin saving early and consistently for our children's future.

IN WITNESS THEREOF, I have hereunto set my hand and caused to be affixed the Great Seal of the State of Arizona.

Governor Janet Napolitano



Going to college and obtaining a college degree is an American dream. In 2005, 28% of adults age 25 years or older had attained at least a bachelor's degree.* This statistic would undoubtedly be higher if more potential college students had access to funds needed to cover college expenses. Lack of funds is the primary reason why most would-be college students do not pursue their college dreams.

This College Savings Planner has been developed by the Arizona Commission for Postsecondary Education in order to help parents, grandparents, and caregivers begin the college preparation process. By providing the opportunity to save, children will have an increased likelihood to attend college and make their college goal... a reality.

College is an investment that pays off-

The earning gap
between those with a
high school diploma and
those with a bachelor's
degree or beyond- exceeds
\$1 million
over a lifetime.***



Getting the Facts

If you are one of the 93% of parents who expect their child to continue their education after high school,** planning and preparing for this goal are vital to making this a reality. This College Savings Planner will review:

- average college costs
- various types of financial aid available
- when college savings should begin and how much
- options families have to save
- savings options through the Arizona Family College Savings Program

*Source: [U.S. Census Bureau News, \(October, 2006\).](#)

**Source: [www.CollegeBoard.com, \(August 2005\).](#)

***Source: According to the CollegeBoard report, [www.collegeboard.com](#) (Revised Edition, 2005), the Census Bureau estimates that, in terms of today's dollars, college graduates will earn an average of about \$1 million dollars more over their working lives than high school graduates.



news anchor

College graduates
enjoy improved health,
longer life expectancy, and
increased civic
participation.*

Parents

Most parents want to provide their children with the best of everything the world has to offer. Whether your child aspires to be a scientist, lawyer, chef or politician, the Arizona Commission for Postsecondary Education wants to find a way to help make their dreams come true. As parents, preparing early for college will position you to make college a reality for your child.

Grandparents

Grandparents want to be able to provide the world to their grandchildren. Often grandparents are in a more favorable place in life to begin preparing and planning for their grandchild's educational pursuits. The gift of a brighter future is often the most treasured gift of all.

At age **25**, Arizona
college graduates on
average earn **111% more**
than high school
graduates.*



nurse

*Source: "The Investment Payoff: A 50 State Analysis of the Public and Private Benefits of Higher Education." The Institute for Higher Education Policy, (February 2005):24.



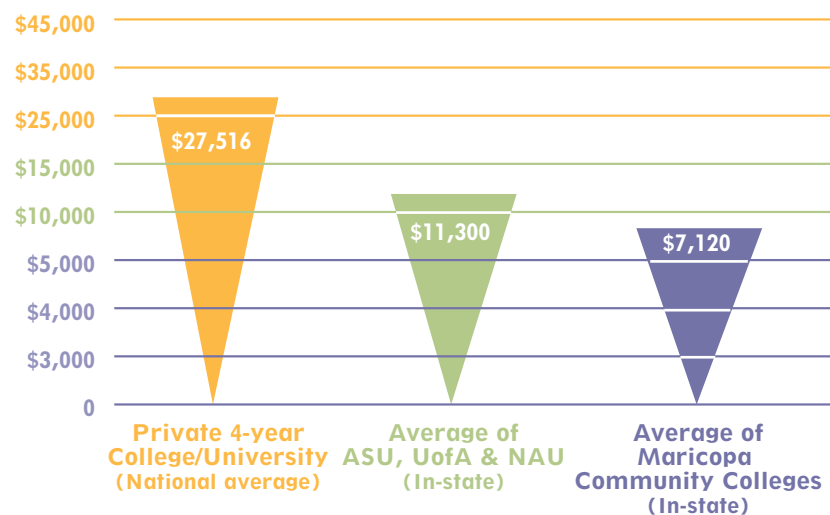
8% is the projected
rate of college
cost increases on
an **annual** basis*

The Costs

Over the past 20 years, college costs have risen more than twice the rate of inflation. For many parents, funding their child's college education will be one of the largest and most significant expenses.

Therefore, saving money for your child's college education requires foresight and planning. However, before any such planning can be started, a savings goal should be established. Exactly how much will it cost to send your child to college? Through research, you will be able to estimate the amount of money needed to send your child to a private university, a public institution, a community college or vocational training center. You may choose to set aside a fixed dollar amount of your income and select an investment plan. Define what your goals are and determine the best path to reach them.

Tuition, and Room and Board** annual costs for various postsecondary institutions



*Source: "Trends in College Pricing 2004:Trends in Higher Education Series". College Board (2004):5.

**Source: www.CollegeBoard.com (2004-2005).

Savings Plan Worksheet

By completing this worksheet, you will develop an estimate of the amount of money needed to meet one child's college-going expenses. Most importantly, save whatever you can afford and begin saving early.

IDENTIFY COSTS

	EXAMPLE	YOUR ESTIMATE
1. Current annual college costs (From table 1) (Example assumes public in-state.)	\$11,300	
2. Number of years until college	5	
3. Future annual college costs (Multiply line 1 by factor in table 2) (Example assumes 8% annual inflation rate.)	\$16,611	
4. Number of years for college attendance	4	
5. Projected cost of college at year one (Multiply line 3 by line 4) (Note: projection does not allow for inflation rate for subsequent years of college attendance)	\$66,444	

IDENTIFY SAVINGS NEEDS

6. Total cost of college (From line 5)	\$66,444	
7. Current college savings (if any)	\$10,000	
8. Value of current investments when college starts (Multiply line 7 by factor in table 3)	\$14,000	
9. Shortfall (Subtract line 8 from line 6)	\$52,444	
10. Estimated investment of a one time lump sum (Multiply line 9 by factor in table 4)	\$37,235	
11. Estimated investment needed on monthly basis (Multiply line 9 by factor in table 5)	\$734.22	

Table 1: Average College Attendance Costs*	Tuition	Room and Board	Annual Total Projection
Private College/University	\$20,082	\$7,434	\$27,516
Public University (In-State)	\$4,430	\$6,870	\$11,300
Community College (In-State)	\$1,810	\$5,310	\$7,120

*Source: www.CollegeBoard.com (2004-2005).

zoologist



23.4% of the Arizona population ages **25-44 years** have a bachelor's degree or higher*

Table 2: Rising Cost Index

Years Until College	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
8% Inflation Rate - Multiply By:	1.08	1.17	1.26	1.36	1.47	1.59	1.71	1.85	2.00	2.16	2.33	2.52	2.72	2.94	3.17	3.43	3.70	4.00

Table 3: Growth Index (Assumes 7% Annual Rate of Return)

Years Investing	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Multiply By:	1.07	1.14	1.23	1.31	1.40	1.50	1.61	1.72	1.84	1.97	2.10	2.25	2.41	2.58	2.76	2.95	3.16	3.38

Table 4 & 5: Necessary Investment Index

Years Until College	Table 4 Contribution - Lump Sum	Table 5 Contribution - Monthly	Years Until College	Table 4 Contribution - Lump Sum	Table 5 Contribution - Monthly
1	0.93	0.0803	10	0.51	0.0058
2	0.87	0.0388	11	0.48	0.0051
3	0.82	0.0250	12	0.44	0.0045
4	0.76	0.0181	13	0.41	0.0040
5	0.71	0.0140	14	0.39	0.0036
6	0.67	0.0112	15	0.36	0.0032
7	0.62	0.0093	16	0.34	0.0029
8	0.58	0.0078	17	0.32	0.0026
9	0.54	0.0067	18	0.30	0.0024

*Source: [National Center for Higher Education Management Systems News](#), (May 2003):6.

Types of Financial Aid

Four types of financial aid programs make up the majority of financial aid. These programs are made available and funded by the federal government, the State of Arizona, and various private organizations. These four groups include:

- Grants
- Loans
- Scholarships
- Work Study

Need Based vs. Merit Based

Need based is defined as financial aid programs that are awarded based on the financial situation of the student and/or their family. Merit based is defined as financial aid awards that are given in response to met criteria. Academic scholarships and athletic scholarships are examples of merit awards.

Types of Financial Aid	Need Based	Merit Based
Grants	X	
Loans	X	
Scholarships	X	X
Work Study	X	

Federal Grants

Grants are forms of financial aid that do not need to be repaid. Grants are typically provided to students from limited-income families and are need based in nature. There are several types of grants available to eligible students including:

Pell Grant

This federally funded program provides assistance for educational expenses based on need, academic load, length of enrollment and the costs of the education. Awards typically range from \$400-\$4,050 a year.

Supplemental Educational Opportunity Grant (SEOG)
This federally funded program is granted to students who demonstrate exceptional need and are also eligible for Pell Grants.

Loans

Loans are federally or privately funded sources of assistance that must be repaid with interest at the conclusion of a student's college attendance.

Federal Stafford Student Loan

Students may qualify for a "subsidized" Federal Student Loan based on their identified financial need or an "unsubsidized" Federal Stafford Loan, which does not take into consideration their own or their family's household income levels.

Federal PLUS Loan

These loans are available to parents who want to borrow monies to help pay for their child's education. These loans have variable interest rates.

Scholarships

Scholarships are granted to students and are often based on performance in a particular area such as academics or sports. There are several websites which list the thousands of various types of scholarships available. Visit the Arizona Commission for Postsecondary Education website listed below for more information.

Work Study

Federal Work Study (FWS)

This need based program provides jobs for students who have applied for financial aid and are eligible to work as part of their financial aid award package. Students participating in this program may work on or off campus and the money earned is paid directly to the student to cover various types of expenses.

**Visit the Arizona Commission for
Postsecondary Education website for
complete details-www.azhighered.gov**

Start Early - Save Regularly

The majority of college students do not receive sufficient grant or scholarship money to cover all of their college expenses. Most of these students must obtain loans in order to complete their educational goals.

It is important to start saving early. A child's educational expenses may be reduced by the

growth of compounding income held in an account over a long period of time.

There are many vehicles that may be used for college savings purposes. Below is a snapshot of the various savings options available to parents and grandparents.

Savings Options Available*

		Arizona Family College Savings Program 529 Plan	Coverdell Educational Savings Accounts	Qualifying U.S. Savings Bonds	UGMA/UTMA	Mutual Funds
	Federal Income Tax	Non-deductible contributions; federal and Arizona income tax-free when used for qualified higher education expenses ¹	Non-deductible contributions; federal income tax-free when used for qualified higher education expenses, or qualified K-12 expenses	Tax-deferred for federal; tax-free for state; certain post-1989 EE and I bonds may be redeemed federal tax-free for qualified higher education expenses	Earnings and gains taxed to minor; first \$850 of unearned income is tax exempt; unearned income over \$1700 for minors below age 18 on 12/31 taxed at parents rate	Earnings and gains taxed in year realized; special lower tax rates for certain dividends and capital gains
	Federal Gift Tax Treatment	Contributions treated as completed gifts; use \$12,000 annual exclusion, or up to \$60,000 with 5-year election	Contributions treated as completed gifts; use \$12,000 annual exclusion. 5-year election only available under special circumstances	No gift involved; qualifying bonds must be owned by the parent	Transfers treated as completed gift; use \$12,000 annual gift exclusion	No gift involved; direct payments of tuition are not considered gifts
	Federal Estate Tax Treatment	Value removed from donor's gross estate; partial inclusion for death during a 5-year election period	Value removed from donor's gross estate	Value included in bondholder's gross estate	Value removed from donor's gross estate unless donor remains as custodian	Value included in the owner's gross estate
	Maximum Investment	\$304,000 per beneficiary (2006-2007 school year)	\$2,000 per beneficiary per year combined from all sources	\$60,000 face value per year, \$30,000 in Treasury Direct and \$30,000 in paper bonds, per owner, per type of bond	No limit	No limit
	Qualified Expenses	Tuition, fees, room and board, books, supplies, equipment, and special needs	Same as 529 plan plus additional categories of K-12 expenses	Tuition and fees	No restrictions	No restrictions
	Income Restrictions	None	Ability to contribute phases out for incomes between \$190,000 and \$220,000 (joint filers)	Interest exclusion phases out for incomes between \$94,700 and \$124,700 (joint filers, year 2006)	None	None
	Federal Financial Aid	Counted as asset of parent or other account owner; not counted as a student asset	Counted as asset of parent or other account owner; not counted as a student asset	Counted as asset of bondholder	Counted as student's asset	Counted as asset of the owner
	Use for Non-Qualifying Expenses	Withdrawn earnings subject to federal tax and 10% penalty	Withdrawn earnings subject to federal tax and 10% penalty	No penalty; interest on redeemed bonds included in federal income	Funds must be used for benefit of the minor	Money can be withdrawn at any time for any reason

*Please consult a financial professional for more information before investing.

¹The Pension Protection Plan of 2006 permanently allows families to make tax-deferred contributions and tax-free qualified withdrawals.

The Arizona 529 Savings Plan

A 529 Plan is similar to a 401k or an IRA. The plan is designed to provide a parent, grandparent or other caregiver an opportunity to save for a child's educational pursuits within a tax-deferred savings vehicle.*

The State of Arizona offers one of the most diversified 529 plans in the country. Arizona's 529 Savings Plan benefits include:

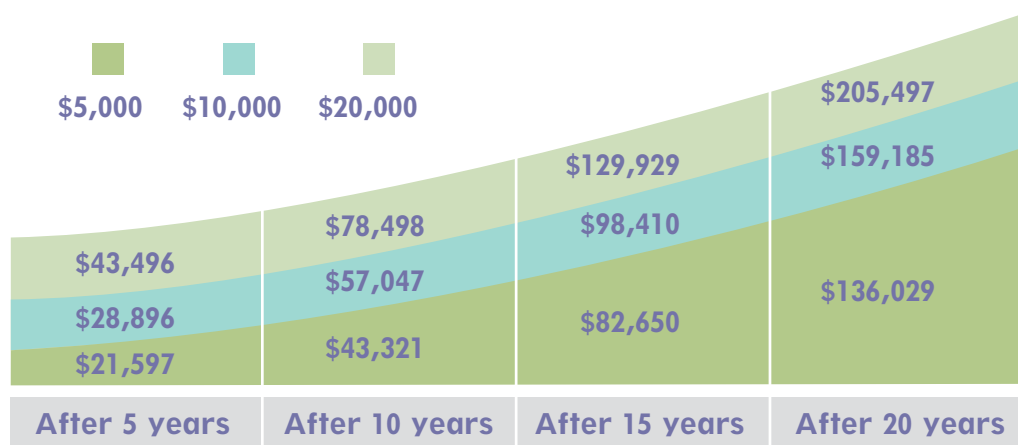
- qualified distributions that are exempt from federal and Arizona State income taxes
- tax deductions for Arizona taxpayers contributing to a 529 plan up to \$1500 for married tax filers and \$750 for single
- college savings offered through multiple providers that include choices of CD's, mutual fund options, and age-based portfolios
- contributions to accounts that grow on a tax-deferred basis
- assets that are not considered when determining Arizona financial aid awards
- savings that can be used at most accredited universities, colleges, private colleges and training schools in the United States, as well as eligible foreign institutions
- the allowance for *anyone* to make contributions
- the ability to begin saving with as little as \$20 a month
- the option to change account beneficiaries at any time



The Power of Tax-Deferred Compounding

Initial Investment with a \$200 monthly contribution

Hypothetical Example - using 8% rate of return



The rate of return in graph is not guaranteed and is provided for illustrative purposes only.



actor

Only **2%** of
college students
receive
scholarships*

ONE STATE PLAN, THREE GREAT CHOICES

The Arizona 529 Savings Plan

The Arizona 529 Savings Plan offers three distinct college savings plans to appeal to specific investment styles and risk tolerance. Within these three plans you will find a variety of investment options, from great growth potential to more stable income-producing options, or somewhere in the middle.

College Savings Bank (1-800-888-2723)

For those seeking a safe alternative, the **CollegeSure® CD** option provides you with the security of a guaranteed rate of return and FDIC insurance.

Fidelity Investments (1-800-544-1262)

For those interested in mutual funds, Fidelity offers a choice of portfolios which automatically become more conservatively invested as your child gets closer to needing the money for college, and the ability to customize portfolio selections.

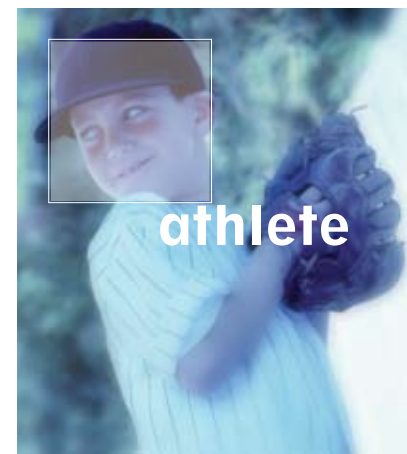
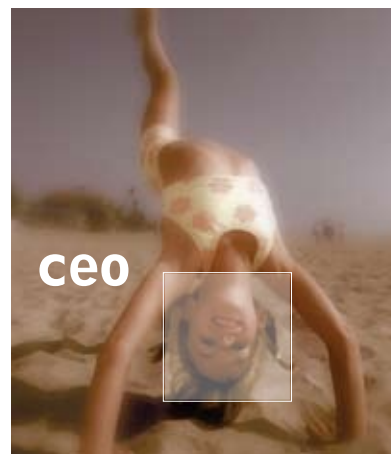
Waddell & Reed (1-888-923-3355)

If you are looking to work with a financial adviser, Waddell & Reed can help design a college savings program to match your individual needs.

*Source: www.401kid.com (2005).

Disclaimer:

Please read the applicable plan disclosure statements carefully before you invest. Consider each Plan's objectives, risk, charges and expenses before investing. Contact the Arizona 529 Plan Providers to request a Plan disclosure statement.

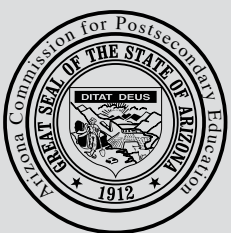


The Arizona Commission for Postsecondary Education (ACPE) is a state agency that assists Arizona students and their families with the information needed for postsecondary education. In addition to the development of the College Savings Planner, the ACPE also:

- Administers Arizona student financial aid programs
- Hosts the College Goal Sunday annual event which assists college bound high school seniors and returning adult students in completing financial aid forms
- Administers the Arizona Family College Savings Program (529 Plan)
- Publishes college preparation publications including *Measuring Your Child's Progress* and the *Arizona College and Career Guide*
- Serves as a forum for private and public postsecondary education to dialogue and collaborate on solutions and opportunities to better assist students

...expanding access and increasing success in postsecondary education

www.az529.gov



Arizona Commission for Postsecondary Education

2020 North Central Avenue, Suite 550, Phoenix, Arizona 85004
[p] 602.258.2435 [f] 602.258.2483